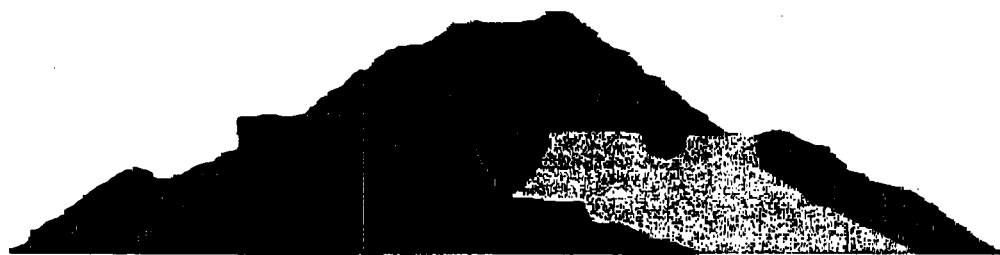


WASHINGTON COUNTY SCHOOL DISTRICT



**Comprehensive Annual
Financial Report
June 30, 2005**

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**HAFEN
BUCKNER
EVERETT
& GRAFF, PC**

**CERTIFIED PUBLIC
ACCOUNTANTS**

Independent Auditor's Report

Board of Education
Washington County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington County School District (District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2005 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2005 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed

in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The combining non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hafen, Buckner, Everett & Graff, PC

HAFEN, BUCKNER, EVERETT, & GRAFF, P.C.

November 22, 2005

Management's Discussion and Analysis

This section of the Washington County School District's comprehensive annual financial report presents management's discussion and analysis of the District's financial performance during the year ending June 30, 2005.

Financial Highlights

- The District is dependent on state aid. State aid increased by \$6.1 million driven primarily by student enrollment increase of 1,234 students in fiscal 2005. State funding for retirement increased but was offset by an equal increase in retirement contribution percentage.
- The District's net assets exceeded liabilities by \$66.7 million at the close of the most recent fiscal year.
- Starting July 1, 2003 the District changed capital deprecation threshold from \$1,000 to \$5000 for equipment and furniture and from \$1,000 to \$25,000 for buildings, land, and improvements. This change had the effect of reducing capital assets by \$19.3 million.
- The District continues to grow at a steady pace. Student enrollment increased by 1,234 students to a total of 21,551 students as of October 1, 2004. Federal aid increased accordingly by \$2.5 million, or 25.6%. Property tax revenues increased \$4.1 million or 9.5% primarily as a result of growth.
- On June 25, 2002 the public voted, by a 77% margin, to authorize the District to issue \$74.0 million of general obligation school building bonds for new school construction, land acquisitions, renovation of existing school facilities and related equipment and improvements. The District issued \$21 million of general obligation bonds during fiscal 2003, and \$22 million of general obligation bonds during fiscal 2004. The remaining \$31 million in bonds were issued during fiscal 2005.
- The cost of various District construction projects underway for the year ended June 30, 2005 are projected at a total cost of \$36.8 million. Little Valley Elementary is project to be completed in the winter of 2005 with an estimated cost of \$7 million. The Pine View High School remodel will be completed in the spring of 2006, with an estimated cost of \$7 million. A new intermediate school in the Hurricane area will be completed in the spring of 2006, with an estimated cost of \$15.2 million. Washington Dome Elementary will also be completed in the spring of 2006 at an estimated cost of \$7.6 million.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 9 to 10 of this report.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, each of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11-15 of this report.

- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the District cannot use these funds to finance its operations.

The District uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 16 of this report.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17 to 29 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 31 to 41 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$66.7 million at the close of the most recent fiscal year.

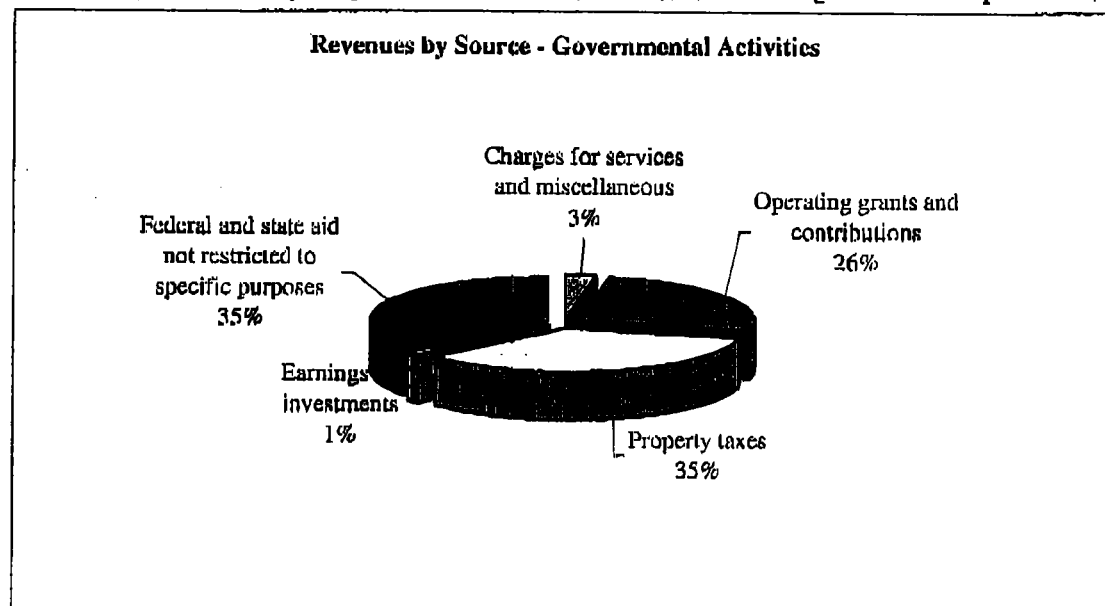
The largest portion of the District's net assets (64%) reflects its investment in capital assets (e.g., land, water stock, furniture, buildings and improvements, and equipment net of accumulated depreciation), less any related debt (general obligation bonds payable and obligations under capital leases less unspent bond proceeds) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- An additional portion of the District's net assets (18%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects.
- The remaining balance of *unrestricted net assets* (18%) may be used to meet the District's obligations to students, employees, and creditors and to honor next year's budget.

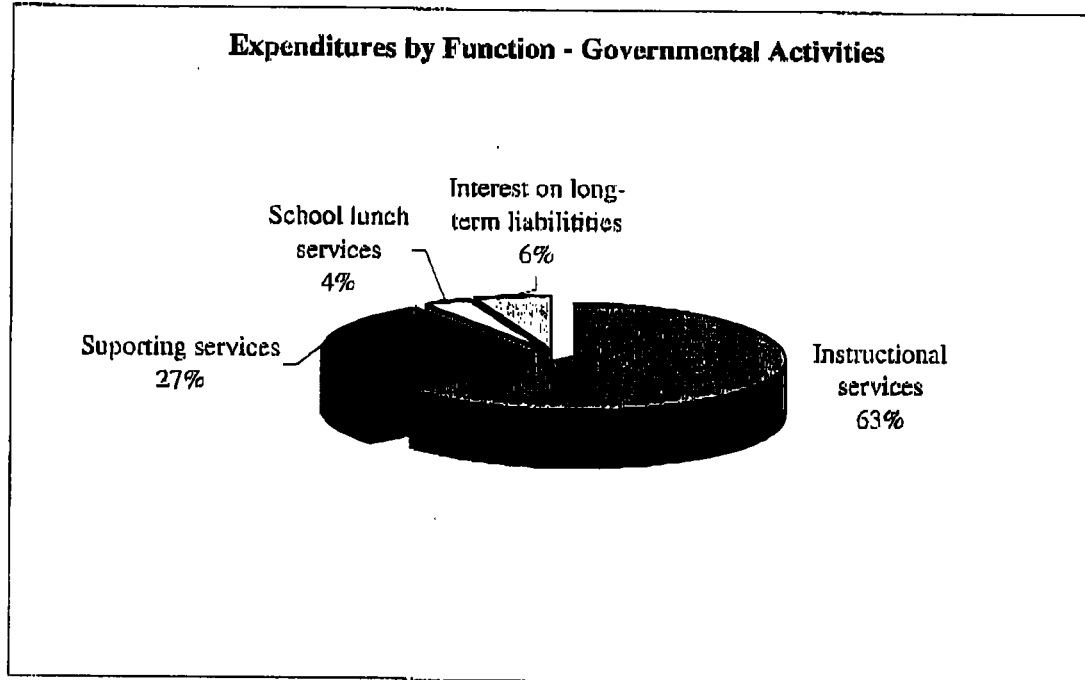
At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets.

Governmental activities.

- Total state aid increased by \$5.8 million revenues is from state aid not restricted to specific purposes. Total federal aid increased by \$2.5 million or 25.6%.
- Federal increases are a reflection of an increase in student enrollment of 1,234 increased funding for specific programs and new Federal grants. State aid is based primarily on weighted pupil units (WPU) and other appropriations. If a student is in membership a full 180 days, the state awards the District one WPU. The state guarantees that if local taxes do not provide money equal to the guarantee it will make up the difference with state funding. Certain special students receive a weighting greater than one. The value of the WPU increased by 1.5% during the year ended June 30, 2005 (\$2,182 during 2005 as compared to \$2,150 in 2004).



- Instructional services represent the largest dollar increase in expense of \$7.7 million due to an increase of 32 additional full-time equivalent teachers for new growth of 1,234 students, increases in salaries, and increases in health care insurance premiums.
- Property tax revenues increased by 9.5% primarily from increases in taxable property. District taxable property values in tax year 2005 increased 23.58%.



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Unspent general obligation bond proceeds and revenues that are restricted for capital projects increased the capital projects fund balance by \$3.5 million. The general fund balance increased by \$2.1 million resulting in a year end balance of \$13.4 million. In addition, the following other changes in fund balances should be noted:

- Expenditures for general District purposes totaled \$100.2 million, an increase of 12.4% during the current fiscal year. Instructional services represent 69% of general fund expenditures.
- General fund salaries totaled \$61.2 million while the associated employee benefits of retirement, social security, and insurance (health and accident, industrial, and unemployment) added \$25.5 to arrive at 86.5% of total general fund expenditures.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the District's fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of debt service, capital projects, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are

not available for spending at the District's discretion. The \$13.4 million fund balance of the general fund is primarily designated for the following purposes:

- *Designation for undistributed reserve* of \$3.3 million or 3.3% of general fund budgeted expenditures. As allowed by state law, the District has established an undistributed reserve within the general fund; this amount is set aside for contingencies or possible reductions in state funding and is not to be used in the negotiation or settlement of contract salaries.
- *Designated for future growth reserve* of \$2.1 million is set aside to deal with Maintenance and operational expenditures related to opening new buildings and providing District level support to the increased property and staff.

Capital Asset and Debt Administration

Capital Assets. The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. The District began various projects during 2005 at a projected cost of \$38.1 million. Student growth for the District was 4.4% in 2005.

Additional information on the District's capital assets can be found in Note 4 to the basic financial statements.

Debt Administration. On June 25, 2002 the public voted, by a 77% margin, to authorize the District to issue \$74.0 million of general obligation school building bonds for new school construction, land acquisitions, renovation of existing school facilities and related equipment and improvements. On March 11, 2003, the District issued \$21 million of general obligation bonds during fiscal 2003, and \$22 million of general obligation bonds during fiscal 2004. The remaining \$31 million in bonds were issued during fiscal 2005.

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005 is \$306.6 million. General obligation debt at June 30, 2005 is \$152.2 million, resulting in a legal debt margin of \$154.4 million.

Although it is not unusual for governments to have a 30-year bond payoff schedule, the District maintains an aggressive schedule to retire all of its general obligation bonds by 2020.

Changing Enrollment within the District

The main component of changing enrollment is migration. Estimated new growth for the next five years will be an additional 6,800 students, or the equivalent of 13 new elementary schools.

Migration combined with the K-12 differential has caused Washington County School District to be one of the fastest growing districts in terms of total new students per year, and percentage growth, in the state since the official state October count of 1997.

The District's enrollment for the 2006 fiscal year grew by 1,518 students to a total of 23,069 students as measured by the October 1, 2005 count.

Requests for Information

This financial report is designed to provide a general overview of the Washington County School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Administrator, Washington County School District, 121 W. Tabernacle, St. George, UT 84770.

WASHINGTON COUNTY SCHOOL DISTRICT

**Financial Statements
Using the GASB 34 Model**

Year Ended June 30, 2005

WASHINGTON COUNTY SCHOOL DISTRICT**Statement of Net Assets**

June 30, 2005

	Governmental Activities
Assets:	
Cash and investments	\$ 49,149,867
Receivables:	
Property taxes	43,382,620
Other governments	7,745,546
Other	1,389,359
Inventories	123,007
Prepays	1,531,713
Bond issue costs, net of accumulated amortization	137,780
Capital assets:	
Land, construction in progress, and water stock	76,813,014
Other capital assets, net of depreciation	112,245,474
Total assets	292,518,379
Liabilities:	
Accounts payable	4,350,180
Accrued interest	3,309,373
Accrued liabilities	12,894,204
Deferred revenue:	
Property taxes	42,914,447
Other governments	3,528,800
Local sources	965,645
Noncurrent liabilities:	
Due within one year	15,766,629
Due in more than one year	139,778,978
Total liabilities	223,508,256
Net Assets:	
Invested in capital assets, net of related debt	46,516,024
Restricted for:	
School lunch	563,764
Non K-12 programs	1,821,483
Foundation	574,260
Debt service	17,903,636
Capital projects	14,103,469
Unrestricted	(12,472,512)
Total net assets	\$ 69,010,123

The notes to the financial statements are an integral part of this statement.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2005

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instructional services	\$ 77,102,577	\$ 382,882	\$ 24,294,298	\$ -	\$ (52,425,397)
Supporting services:					
Students	4,014,073	-	1,697,000	-	(2,317,073)
Instructional staff	4,131,487	-	983,687	-	(3,147,800)
District administration	374,495	-	2,909	-	(371,586)
School administration	7,887,933	-	102,519	-	(7,785,414)
Business	976,592	-	29,464	-	(947,128)
Operation and maintenance of facilities	10,186,333	-	318,149	-	(9,868,184)
Transportation	4,991,540	255,797	3,803,536	-	(932,207)
Central	426,121	-	57,163	-	(368,958)
School lunch services	4,680,626	1,928,245	3,472,928	-	720,547
Interest on long-term liabilities	7,112,024	-	-	-	(7,112,024)
Total school district	\$ 121,883,802	\$ 2,566,924	\$ 34,761,653	\$ -	\$ (84,555,225)
General revenues:					
Property taxes levied for:					
General purposes					
Transportation					
Recreation					
Debt service					
Capital outlay					
Federal and state aid not restricted to specific purposes					
Earnings on investments					
Miscellaneous					
Total general revenues					
Change in net assets					
Net assets - beginning					
Prior period adjustment					
Net assets - ending					
20,667,928					
1,405,503					
913,577					
23,120,531					
801,137					
47,489,611					
1,852,677					
1,290,563					
97,540,527					
12,985,302					
45,141,854					
10,882,967					
\$ 69,010,123					

The notes to the financial statements are an integral part of this statement.

WASHINGTON COUNTY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2005

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Assets:					
Cash and investments	\$ 21,584,637	\$ 2,584,544	\$ 23,142,604	\$ 1,838,082	\$ 49,149,867
Receivables:					
Property taxes	20,841,830	18,490,684	3,132,846	917,260	43,382,620
Other governments	7,454,221	-	-	291,325	7,745,546
Other receivables	423,714	-	965,645	-	1,389,359
Inventory	-	-	-	123,007	123,007
Prepays	72,562	-	1,458,000	1,151	1,531,713
Advances to other funds	-	-	-	-	-
Total assets	<u>\$ 50,376,964</u>	<u>\$ 21,075,229</u>	<u>\$ 28,699,095</u>	<u>\$ 3,170,823</u>	<u>\$ 103,322,111</u>
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 1,049,150	\$ -	\$ 3,282,962	\$ 18,068	\$ 4,350,180
Accrued salaries	11,870,133	-	-	193,248	12,063,381
Retainable Payable	-	-	830,823	-	830,823
Due to other funds	-	-	-	-	-
Deferred revenue:					
Property taxes	20,642,212	18,772,971	2,587,801	911,463	42,914,447
Other governments	3,440,382	-	-	88,418	3,528,800
Local sources	-	-	965,645	-	965,645
Total liabilities	<u>37,001,877</u>	<u>18,772,971</u>	<u>7,667,231</u>	<u>1,211,197</u>	<u>64,653,276</u>
Fund Balances:					
Reserved for:					
Encumbrances	-	-	-	-	-
Advances	-	-	-	-	-
Debt service	-	2,302,257	-	-	2,302,257
Construction commitments	-	-	10,550,023	-	10,550,023
Unreserved:					
Designated for:					
Undistributed reserve	3,300,000	-	-	-	3,300,000
Health and accident insurance	-	-	-	-	-
Tort Liability	-	-	-	-	-
Future Growth	2,091,179	-	-	574,260	2,665,439
Notes	-	-	1,296,692	-	1,296,692
Vacation	-	-	-	-	-
Early retirement health care	-	-	-	-	-
Early retirement	-	-	-	-	-
Undesignated, reported in:					
General fund	7,983,908	-	-	-	7,983,908
Capital projects fund	-	-	9,185,149	-	9,185,149
Special revenue funds	-	-	-	1,385,366	1,385,366
Total fund balances	<u>13,375,087</u>	<u>2,302,257</u>	<u>21,031,864</u>	<u>1,959,626</u>	<u>38,668,834</u>
Total liabilities and fund balances	<u>\$ 50,376,964</u>	<u>\$ 21,075,229</u>	<u>\$ 28,699,095</u>	<u>\$ 3,170,823</u>	<u>\$ 103,322,111</u>

The notes to the financial statements are an integral part of this statement.

WASHINGTON COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2005

Total fund balances for governmental funds	\$ 38,668,834
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	38,108,158	
Construction in progress	38,704,856	
Buildings and improvements, net of \$87,465,127 accumulated depreciation	107,709,518	
Furniture and equipment, net of \$7,062,133 accumulated depreciation	4,535,956	189,058,488

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is \$3,309,373.	(3,309,373)
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Bond issuance costs are reported as expenditures in the governmental funds. The cost is \$ 150,597 and accumulated amortization is \$12,817.	137,780
--	---------

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

Bonds payable	(152,199,000)	
Unamortized premiums	(678,038)	
Unamortized refunding	1,149,424	
Obligations under capital leases	0	
Notes payable	(1,296,692)	
Early retirement payable	(2,521,301)	(155,545,607)

Total net assets of governmental activities	\$ 69,010,123
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The notes to the financial statements are an integral part of this statement.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects		
Revenues:					
Property taxes	\$ 22,036,114	\$ 19,252,423	\$ 4,707,275	\$ 912,864	\$ 46,908,676
Earnings on investments	648,174	105,784	1,087,193	11,526	1,852,677
School lunch sales	-	-	-	1,928,245	1,928,245
Other local sources	2,050,074	-	32,739	399,791	2,482,604
State aid	68,108,692	-	-	1,764,062	69,872,754
Federal aid	9,307,500	-	-	3,070,011	12,377,510
Total revenues	102,150,553	19,358,207	5,827,207	8,086,498	135,422,466
Expenditures:					
Current:					
Instructional services	69,092,164	-	-	2,431,458	71,523,622
Supporting services:					
Students	4,033,364	-	-	-	4,033,364
Instructional staff	3,993,834	-	-	-	3,993,834
District administration	369,319	-	-	-	369,319
School administration	7,341,261	-	-	-	7,341,261
Business	926,761	-	-	-	926,761
Operation and maintenance of facilities	9,366,190	-	-	1,388	9,367,578
Transportation	4,637,983	-	-	-	4,637,983
Central	395,939	-	-	-	395,939
School lunch services	-	-	-	5,268,977	5,268,977
Capital outlay	-	-	32,230,559	-	32,230,559
Debt service:					
Principal retirement	-	12,590,000	-	-	12,590,000
Bond Selling Expenditures	-	-	-	-	-
Loan retirement	-	931,718	-	-	931,718
Interest and fiscal charges	-	5,649,806	-	-	5,649,806
Total expenditures	100,156,813	19,171,524	32,230,559	7,701,823	159,260,719
Excess (deficiency) of revenues over (under) expenditures	1,993,740	186,684	(26,403,352)	384,676	(23,838,252)
Other financing sources (uses):					
Transfers	(519,868)	-	519,868	-	-
General obligation bonds proceeds	-	-	31,000,000	-	31,000,000
Refunding bonds proceeds	-	-	-	-	-
Bond premium	-	-	-	-	-
Payment to refunded bond escrow	-	-	-	-	-
Sale of capital assets	-	-	42,712	-	42,712
Total other financing sources (uses)	(519,868)	-	31,562,580	-	31,042,712
Net change in fund balances	1,473,872	186,684	5,159,228	384,676	7,204,459
Fund balances - beginning	11,254,737	2,115,573	15,171,259	1,548,164	30,089,733
Prior period adjustment	646,478	-	701,377	26,786	1,374,641
Fund balances - ending	\$ 13,375,087	\$ 2,302,257	\$ 21,031,864	\$ 1,959,625	\$ 38,668,833

The notes to the financial statements are an integral part of this statement.

WASHINGTON COUNTY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
Year Ended June 30, 2005

Net change in fund balances-total governmental funds \$ 7,204,459

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for furniture and equipment and \$25,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 34,388,229	
Loss on disposal of capital assets	(2,535,260)	
Proceeds from sale of capital assets	(42,712)	
Depreciation expense	<u>(7,208,560)</u>	24,601,697

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.

Other financing source - capital lease	-	
Interest expense - capital leases	-	
Principal payments of capital leases	<u>95,179</u>	95,179

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of what it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

General obligation bond proceeds	(31,000,000)	
Bond issuance costs	(106,923)	
Repayment of bond principal	12,590,000	
Amortization of bond issuance costs	(12,817)	
Amortization of bond premium	63,073	
Interest expense - general obligation bonds	<u>(1,418,368)</u>	(19,885,035)

The Governmental funds report note proceeds as financing sources, while repayment of note principal is reported as an expenditure. In the statement of net assets, however, issuing notes increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Note principal payment	(931,718)	931,718
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Property tax revenues received prior to the year for which they are being levied are reported as deferred revenue in the governmental funds. They are, however, recorded as revenues in the statement of activities. Deferred property tax revenues increased this year.

In the statement of activities, certain operating expenses - special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, early retirement payable decreased by \$37,284.

37,284

Change in net assets of governmental activities		<u>\$ 12,985,302</u>
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The notes to the financial statements are an integral part of this statement.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 20,288,056	\$ 20,519,523	\$ 22,036,114	\$ 1,516,591
Earnings on investments	300,000	500,000	648,174	148,174
Other local sources	2,000,000	2,000,010	2,050,074	50,064
State aid	67,804,774	70,387,816	68,108,692	(2,279,124)
Federal aid	8,566,133	9,175,936	9,307,500	131,564
Total revenues	98,958,963	102,583,285	102,150,553	(432,732)
Expenditures:				
Current:				
Instructional services	68,772,734	71,948,838	69,092,164	2,856,674
Supporting services:				
Students	3,825,116	4,278,318	4,033,364	244,954
Instructional staff	3,960,690	4,188,848	3,993,834	195,014
District administration	357,248	366,050	369,319	(3,269)
School administration	6,988,655	7,161,704	7,341,261	(179,557)
Business	907,299	939,302	926,761	12,541
Operation and maintenance of facilities	9,695,006	9,871,077	9,366,190	504,887
Transportation	4,688,326	4,846,343	4,637,983	208,360
Central	280,014	406,547	395,939	10,608
Total expenditures	99,475,088	104,007,027	100,156,813	3,850,214
Excess of revenues over expenditures	(516,125)	(1,423,742)	1,993,740	3,417,482
Other financing sources (uses):				
Transfer out	-	-	(519,868)	519,868
Net change in fund balances	(516,125)	(1,423,742)	1,473,872	(2,897,614)
Fund balances - beginning	11,254,737	11,254,737	11,254,737	-
Prior period adjustment			646,478	(646,478)
Fund balances - ending	\$ 10,738,612	\$ 9,830,995	\$ 13,375,087	\$ (3,544,092)

The notes to the financial statements are an integral part of this statement.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Agency Fund
June 30, 2005

	<u>Student Activities Fund</u>
Assets:	
Cash and investments	\$ 1,470,736
Liabilities	
Due to other funds	\$ -
Due to student groups	1,470,736
Advance from other funds	-
Total liabilities	<u>\$ 1,470,736</u>

The notes to the financial statements are an integral part of this statement.

WASHINGTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Washington County School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Reporting entity – The Board of Education, comprised of seven elected individuals, is the primary governing authority for the District. As required by GAAP, these financial statements present the District and its component unit, Washington County School District Foundation, for which the District is considered to be financially accountable. The District is not a component unit of any other primary government. A blended component unit, although a legally separate entity, is, in substance, part of the District's operations.

- **Blended component unit.** The Washington County School District Foundation is a nonprofit organization established under Internal Revenue Service regulations as a conduit for tax-deductible donations to the District. The Foundation exclusively services the District. The Foundation is presented as a special revenue fund of the District.

Government-wide and fund financial statements – The *government-wide financial statements* (the statement of net assets and the statement of changes in net assets) display information about the primary government (the District) and its blended component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instructional, school administration, operation and maintenance of facilities, and school lunch services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line item. Program revenues include 1) fees and charges paid by students and other recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The *fund financial statements* provide information about the District's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for resources accumulated and payments made for principal and interest on general obligation school building bonds.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites; construction and remodel of facilities; and procurement of equipment, textbooks, and supplies necessary for providing educational programs for all students within the District.

Additionally, the District reports the following fund type:

- The *student activities agency fund (a fiduciary fund)* accounts for monies held on behalf of student groups.

Measurement focus, basis of accounting, and financial statement presentation – The *government-wide fund financial statement* is reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Data – Budgets are presented on the modified accrual basis of accounting for all governmental funds except the Washington County School District Foundation special revenue fund. Budgets are not adopted on a District level for the Washington County School District Foundation special revenue fund or the student activities agency fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During May of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- Copies of the proposed budget are made available for public inspection and review by the patrons of the District.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenue variances will be negative, and overall fund expenditure variances will be positive.

Deposits and Investments – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The District's investments are reported at fair value at year-end. The Utah Public Treasurers' Investment Fund operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

Cash and Cash Equivalents – The District considers cash and cash equivalents to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

Inventories – Inventories are valued at cost or, if donated, at fair value when received, using the first in, first out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Donated food commodities are reported in the governmental funds as revenue when received.

Capital Assets – Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for furniture and equipment and \$25,000

for land, water stock, buildings and improvements and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30
Building improvements and portable classrooms	30
Maintenance equipment	15
Vocational education equipment	15
Buses	10
Musical instruments	10
Furniture	10
Office equipment	10
Athletic equipment	8
Vehicles	8
Audio visual equipment	5
Computer equipment	3

Compensated Absences - Under terms of association agreements, twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure and classification. No reimbursement or accrual is made for unused sick leave.

Long-term Obligations - In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums or discounts are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

Comparative Data, Reclassifications, and Restatements - Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

2. DEPOSITS AND INVESTMENTS

The District follows the requirements of the Utah Money Management Act (Section 51, Chapter 7 of the Utah Code) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah.

The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Deposits and investments at June 30, 2005 appear in the financial statements as summarized below:

Cash	\$ 2,471,112
Investments	46,678,755
Total cash and investments	<u>\$ 49,149,867</u>
Cash and investments-governmental activities, statement of net assets	\$ 47,679,131
Cash and investments-student activities agency fund	1,470,736
Total cash and investments	<u>\$ 49,149,867</u>

Deposits – The District's carrying amount of bank deposits at June 30, 2005 is \$2,471,112 and the bank balance is \$4,634,113. Of the bank balance, \$168,890 is covered by federal depository insurance and \$4,465,223 was uninsured. No deposits are collateralized, nor are they required to be by state statute.

At year-end, the District's investment balances of \$44,678,755 were held in the Public Treasurers' Investment Fund, and \$2,000,000 were held in a Wells Fargo Bank Certificate of Deposit.

During the year ended June 30, 2005, the District used an overnight sweep agreement (classified as a Category 2 investment) to a government money market portfolio that primarily invests in obligations of the United States Treasury, agencies or instrumentalities of the United States that meet allowable investments of the Utah Money Management Act.

3. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the Washington County Treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer.

Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

Beginning January 1, 1992, an annual uniform fee based on the value of motor vehicles was levied in lieu of an ad valorem tax on motor vehicles. This uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. Effective January 1, 1999, legislation required motor vehicles be subject to an "age-based" fee that is due each time a vehicle is registered. The age-based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when the County collects it.

As of June 30, 2005, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2005 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 36,004,297	\$ 2,103,861	\$ -	\$ 38,108,158
Construction in progress	39,546,068	27,279,049	(28,120,261)	38,704,856
Total capital assets, not being depreciated	75,550,365	29,382,910	(28,120,261)	76,813,014
Capital assets, being depreciated:				
Buildings and improvements	171,434,259	31,808,053	(11,000,941)	192,241,371
Furniture and equipment	13,000,293	1,317,527	(1,016,123)	13,301,697
Total capital assets, being depreciated	184,434,552	33,125,580	(12,017,064)	205,543,068
Accumulated depreciation for:				
Buildings and improvements	(87,465,127)	(6,190,137)	9,123,411	(84,531,853)
Furniture and equipment	(8,062,999)	(1,018,423)	315,681	(8,765,741)
Total accumulated depreciation	(95,528,126)	(7,208,560)	9,439,092	(93,297,594)
Total capital assets, being depreciated, net	88,906,426	25,917,020	(2,577,972)	112,245,474
Governmental activities capital assets, net	\$ 164,456,791	\$ 55,299,930	\$ (30,698,233)	\$ 189,058,488

The District changed capitalization thresholds effective July 1, 2002. The capitalization threshold for purchases of furniture and equipment was changed from \$1,000 to \$5,000, and the capitalization threshold for land, water stock, buildings and improvements was raised from \$1,000 to \$25,000.

For the year ended June 30, 2005, depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instructional services	\$ 5,452,294
Supporting services:	
District administration	28,153
School administration	559,629
Business	70,648
Operation and maintenance of facilities	714,097
Transportation	353,557
Central	30,183
School lunch services	-
Capital assets held by the District's internal service funds are charged to the various functions based on their usage of the assets	
	-
Total depreciation expense, governmental activities	<u>\$ 7,208,560</u>

A reservation of fund balance for construction commitments in the capital projects fund has been established to fulfill the required costs to complete construction projects at June 30, 2005.

5. RETIREMENT PLANS

Defined Benefit Plans – The District contributes to the State and School Contributory Retirement System and State and the School Noncontributory Retirement System (collectively, the Systems) which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the URS and plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 1.00% of annual covered salary, and the District contributes 7.89% of annual covered salary. For employees participating in the State and School Noncontributory System, the District contributes 13.38% of annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Utah State Retirement Board.

Defined Contribution Plans – The District also participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. Employees covered by the State and School Non-contributory Retirement System have a contribution of 1.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

<u>System</u>	<u>Year</u>	<u>Employee Paid Contributions</u>	<u>Employer Paid for Employee Contributions</u>	<u>Employer Contributions</u>	<u>Salary Subject to Retirement Contributions</u>
State and School-Contributory	2005	N/A	\$39,207	\$51,557	\$653,445
	2004	N/A	\$41,863	\$43,328	\$697,712
	2003	N/A	41,512	40,888	691,841
State and School-Noncontributory	2005	N/A	N/A	7,599,827	56,799,921
	2004	N/A	N/A	6,214,594	53,116,206
	2003	N/A	N/A	5,284,950	50,816,757
401 (k) Contributions	2005	1,199,104	938,865	N/A	56,799,921
	2004	1,006,406	852,819	N/A	53,116,206
	2003	973,041	766,467	N/A	50,816,757

The District offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. Plan assets are administered by the State of Utah and an independent plan administrator. Investments are primarily in various mutual funds and annuity contracts as selected by participating employees. The plans permit employees to defer a portion of their salary until future years. Only upon termination, retirement, death, or an unforeseen emergency is the deferred compensation available to an employee.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of the participants or their beneficiaries rather than assets of the District.

Early Retirement Incentive – The District provides an early retirement incentive program for employees who have reached the age of 60, or if under age 60, have met the provisions of the Utah State Retirement Office Act. Qualifying retirees can receive benefits for up to five (5) years, or until the retiree reaches the age of unreduced social security benefit, whichever occurs first. Employees are paid up to 20% of the amount which would have been paid had they continued their assignment. The potential liability at June 30, 2005 for compensation due to participants who have qualified for benefits is \$1,439,723 and \$1,082,146 to provide wages and accident insurance benefits respectively. \$904,972 has been recognized as a current liability in the General Fund, while the remaining \$1,616,897 portion of the prospective obligation is included in the Long-Term Debt Account Group. The District recognizes the liability and expenditure in the year in which an employee retires for its 60 retirees using current insurance premiums as the basis for determining the liability. The District's direct payments to retirees for the years ended June 30, 2005 and 2004 are \$494,921 and \$407,162.

6. MEDICAL PLAN, AND LIFE AND LONG-TERM DISABILITY (LTD)

The district provides \$25,000 employee life insurance, \$2,420 dependent life insurance, and long-term disability coverage that is maintained on a premium basis. The District also provides three months salary in term life insurance, \$2,000 for dependent life insurance that is maintained on a self-insured basis.

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to worker's compensation, torts, errors and omissions, violation of civil rights, natural disasters, as well as theft of, damage to, and destruction of assets. These risks are covered by the District's participation in the Utah School Boards Risk Management Mutual Insurance Association for worker's compensation claims and the Utah State Risk Management system for property, casualty, and liability exposure. These are pooled arrangements whereby districts pay

experienced rated annual premiums which are designed to pay claims and build sufficient reserves to enable the pool to protect the participating entities with its own capital. The pools reinsure excess losses to preserve the capital base. Property physical damage is insured to replacement value with a \$1,000 deductible; automobile physical damage is insured to actual value with a \$350 deductible; other liability is limited to the lesser of \$10 million or the statutory limit. Insurance coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Utah.

8. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2005 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 133,789,000	\$ 31,000,000	\$ (12,590,000)	\$ 152,199,000	\$ 14,435,000
Deferred amounts for issuance premium	741,111		(63,073)	678,038	-
Deferred amounts on refunding	(1,256,347)	106,923		(1,149,424)	-
Total bonds payable, net	133,273,764	31,106,923	(12,653,073)	151,727,614	14,435,000
Obligations under capital leases	95,179	-	(95,179)	-	-
Notes Payable	2,228,410	-	(931,718)	1,296,692	426,657
Early retirement payable	2,558,585	801,667	(838,931)	2,521,301	904,972
Total governmental activity long-term liabilities	\$ 138,155,938	\$ 31,908,590	\$ (14,518,921)	\$ 155,545,607	\$ 15,766,629

Payments on the general obligation bonds are made by the debt service fund from property taxes and earnings on investments. The obligations under capital leases are paid by the capital projects fund. Early retirement benefits will be paid by the fund in which the employee worked.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2005, including interest payments are listed as follows:

Year ending June 30,	Principal	Interest	Total
2006	\$ 14,435,000	\$ 6,371,323	\$ 20,806,323
2007	14,415,000	5,577,844	19,992,844
2008	13,385,000	4,939,116	18,324,116
2009	13,710,000	4,413,851	18,123,851
2010	14,215,000	3,879,594	18,094,594
2011	13,345,000	3,323,492	16,668,492
2012	10,560,000	2,807,414	13,367,414
2013-16	36,059,000	7,408,942	43,467,942
2017-20	22,075,000	1,926,278	24,001,278
Total	\$152,199,000	\$ 40,647,854	\$192,846,854

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005, is \$306,610,123. General obligation debt at June 30, 2005 is \$152,199,000, resulting in a legal debt margin of \$154,411,123.

General Obligation Bonds – General obligation school building bonds payable at June 30, 2005, with their outstanding balance are comprised of the following individual issues:

\$5,000,000 1994 general obligation school building bonds, due in annual installments of \$320,000 to \$380,000 through September 1, 2005, interest from 5.5% to 5.75%	380,000
\$10,000,000 1995 general obligation refunding bonds, due in annual installments of \$685,000 to \$760,000, through September 1, 2005, interest from 5.05% to 5.25%	760,000
\$18,100,000 1996 general obligation school building bonds, due in annual installments of \$870,000 to \$1,165,000, Through March 1, 2007, interest from 5.0% to 5.1%	3,210,000
\$15,000,000 1997 general obligation school building bonds, due in annual installments of \$945,000 to \$1,385,000, Through March 1, 2012, interest from 5.0% to 5.25%	3,110,000
\$19,335,000 1997 general obligation school building bonds, due in annual installments of \$430,000 to \$3,665,000, Through March 1, 2007 Interest 5.0%	3,660,000
\$10,000,000 1998 general obligation school building bonds, due in annual installments of \$595,000 to \$895,000, Through March 1, 2013 Interest 5.0%	2,660,000
\$10,000,000 1999 general obligation school building bonds, due in annual installments of \$575,000 to \$880,000, Through March 1, 2014, interest from 4.3% to 4.55%	7,275,000
\$10,000,000 2000 general obligation school building bonds, due in annual installments of \$515,000 to \$920,000, Through March 1, 2016, interest from 4.75% to 5.0%	4,365,000
\$424,000 2001 QZAB bond due in one installment of \$424,000 on January 15, 2014, interest 1.5%	424,000
\$28,370,000 2001 general obligation school building bonds, due in annual installments of \$100,000 to \$6,190,000, Through March 1, 2011, interest from 4.5% to 5.0%	27,755,000
\$13,575,000 2001 general obligation school building bonds, due in annual installments of \$650,000 to \$1,120,000, Through March 1, 2017, interest from 3.0% to 4.7%	11,370,000
\$10,000,000 2002 general obligation school building bonds, due in annual installments of \$210,000 to \$980,000, Through March 1, 2017, interest from 3.25% to 4.5%	8,790,000
\$21,000,000 2003 general obligation school building bonds, due in annual installments of \$625,000 to \$2,000,000, through March 1, 2018, interest from 2.0% to 4.1%	20,000,000
\$22,000,000 2004 general obligation school building bonds, due in annual installments of \$1,125,000 to \$1,890,000, through March 1, 2019, interest from 2.0% to 4.0%	22,000,000
\$15,210,000 2004 general obligation refunding bonds, due in annual installments of \$165,000 to \$3,000,000, through March 1, 2016, interest from 2.5% to 5.0%	15,210,000
\$31,000,000 2005 general obligation refunding bonds, due in annual installments of \$475,000 to \$2,850,000, through March 1, 2020, interest from 2.5% to 5.0%	31,000,000
	<u>\$161,969,000</u>

Defeasance of Debt - April 15, 2001 and March 25, 2004 - the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust and purchasing insurance which guarantees the adequacy of the escrow fund to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2005, \$26,225,000 of previously issued bonds outstanding are considered defeased.

Sale of Woodward Property - During 2000, the District entered into an agreement with St. George City (the City) whereby the District agreed to an installment sale of a vacant, 4.5-acre school site (Woodward Elementary). The terms of the agreement were for a sales price of \$1,965,645 with an initial payment of \$600,000 received in 2001. No interest will be assessed on the remaining balance with a second installment payment in the amount of \$400,000 to be made on or before July 31, 2003, while the remaining installment of \$965,645 is required to be paid on or before December 31, 2007. The remaining balance of \$965,645 has been recorded in the Capital Projects Fund as a long-term receivable in addition to being deferred as revenue until all payments have been received.

Notes Payable - EPA Note - The District has received a loan from the Environmental Protection Agency (EPA) for purposes of asbestos removal. The loan is interest free and requires semiannual installments of not less than \$500 on May 30th and November 30th until repaid. The final payment of \$286 for this note was made on November 2004.

Capital Lease - During 2000, the District entered into a lease purchase agreement with a local bank for the construction of a new District office facility. The bank provided \$3,500,000 for construction of the building. The lease is accounted for as a capital lease and the related obligation is recorded as a long-term liability. The lease has a fiscal funding clause which allows the District to terminate the agreement if funding is not appropriated during the current year. Interest is assessed at a variable rate of 67.7% of the prime lending rate of the bank. Listed below is a schedule of future minimum lease payments together with the present value of the net minimum lease payments as of June 30, 2005.

2006	\$411,657
2007	418,730
2008	<u>233,918</u>
Total Minimum Lease Payments	1,064,305
Less: Amount Representing Interest	<u>61,613</u>
Present Value of Minimum Payments	<u>1,002,692</u>

Woodward Restoration - During 2000, the District was awarded a \$150,000 grant and a \$350,000 loan from the State of Utah Community Impact Board (CIB) for the restoration of a vacant historic school (Woodward) to be used as a community facility. The loan was funded through the issuance of taxable revenue lease bonds by the Municipal Building Authority of the City of St. George. Although the bonds are issued in the name of the Building Authority, the District is required to make the following annual interest and principal payments:

Year	Principal	Interest	Total
Ending June 30			
2006	\$15,000	\$7,350	\$22,350
2007	16,000	6,975	22,975
2008	16,000	6,575	22,575
2009	17,000	6,175	23,175
Thereafter	<u>230,000</u>	<u>37,825</u>	<u>267,825</u>
Total	<u>\$294,000</u>	<u>\$64,900</u>	<u>\$358,900</u>

Fitness Equipment - In November 2001, the District entered into a lease purchase agreement with a local bank to acquire certain physical education equipment to be used among five secondary schools within the District. The bank provided \$618,275 for the purchase of the equipment. The lease is accounted for as a capital lease and the related obligation is recorded in the General Long-Term Debt account group. The assets have been recorded in the General Fixed Asset account group. Interest is assessed at an annual rate of 4.1% and requires 36 monthly payments of \$18,284 with the final payment paid December 1, 2004.

9. DESIGNATED FOR UNDISTRIBUTED RESERVE

Utah state law allows for the establishment of an undistributed reserve. The Board must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the current fiscal year's total general fund budgeted expenditures. Use of the reserve requires a written resolution adopted by a majority vote of the Board filed with the Utah State Board of Education and State Auditor.

10. LITIGATION

There are several lawsuits pending in which the District is involved. The District's counsel and insurance carriers estimate that the potential claims against the District, not covered by insurance, resulting from such litigation would not materially effect the financial statements of the District.

11. GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be immaterial.

12. PRIOR PERIOD ADJUSTMENT

The following prior period adjustments have been made in the financial statements, which are reported as an adjustment to beginning fund balance or net assets:

Adjustments to fund balance of governmental funds in the fund financial statement:

General Fund	
Property taxes previously deferred	\$ 646,478
Total increase in fund balance	<u>646,478</u>
Capital Projects Fund	
Property taxes previously deferred	<u>701,377</u>
Total increase in fund balance	<u>701,377</u>
Special Revenue Fund (Non K-12 Fund)	
Property taxes previously deferred	<u>26,786</u>
Total increase in fund balance	<u>26,786</u>

Adjustment to beginning net asset balance of government activities:

Capital assets	9,508,326
Net increase in fund balance governmental funds and net assets of government activities	<u>\$ 10,832,987</u>

Nonmajor Governmental Funds

Special Revenue Funds

School Lunch Fund – This fund is used to account for the food service activities of the District as required by state and federal law. Financing is provided by local sales along with substantial subsidies from the State of Utah and the U.S. Government to help ensure that student's receive low-cost, nutritionally balanced meals.

Non K-12 Programs Fund – This fund is used to account for programs that are not part of the basic educational program of kindergarten, elementary, and secondary students. These areas include: adult education, preschool for disabled students, and the recreation fund. The recreation fund is used to account for costs to provide for recreation activities. Financing is provided primarily by recreation property tax levy, which is authorized by Utah Code 11-2-7 and does not have a maximum statutory rate.

Washington County School District Foundation Fund – This fund is used to account for donations received by the District. The Foundation was formed October 16, 1985, to provide a continuing organization, outside the public school system, for the benefit of Washington County School District. The activities of the Foundation are governed by a ten to thirty-member board of directors: one is a member of the Washington County School District Board of Education, one the Superintendent of the District, one the Development Director of the District, and all remaining members from the general public. Although the Foundation's activities and records are operated and maintained separate from the District, the District is considered to be financially accountable for the Foundation.

WASHINGTON COUNTY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	Special Revenue				Total
	School Lunch	Non K-12 Programs	Washington School District Foundation		Nonmajor Governmental Funds
Assets:					
Cash and investments	\$ 409,916	\$ 844,013	\$ 584,153	\$	\$ 1,838,082
Receivables:					
Property taxes	-	917,260	-		917,260
Other governments	123,853	167,472	-		291,325
Inventory	123,007				123,007
Prepays	-	-	1,151		1,151
Total assets	\$ 656,776	\$ 1,928,744	\$ 585,303	\$	\$ 3,170,823
Liabilities:					
Accounts payable	\$ 6,839	\$ 186	\$ 11,044	\$	\$ 18,068
Wages payable	86,173	107,075			193,248
Deferred revenue:					
Property taxes	-	911,463	-		911,463
Other governments	-	88,418	-		88,418
Local sources	-	-	-		-
Total liabilities	93,012	1,107,142	11,044		1,211,197
Fund balances:					
Unreserved:					
Designated funds	-	-	574,260		574,260
Designated for compensated absences	-	-	-		-
Undesignated	563,764	821,602	-		1,385,366
Total fund balances	563,764	821,602	574,260		1,959,626
Total liabilities and fund balances	\$ 656,776	\$ 1,928,744	\$ 585,303	\$	\$ 3,170,823

WASHINGTON COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2005

	Special Revenue				Total
	School Lunch	Non K-12 Programs	Washington School District Foundation	Nonmajor Governmental Funds	
Revenues:					
Property tax	\$ -	\$ 912,864	\$ -	\$ -	\$ 912,864
Student fees	-	-	-	-	-
Lunch sales	1,928,245	-	-	-	1,928,245
Earnings on investments	-	-	11,526	-	11,526
Other local revenues	-	11,182	388,609	-	399,791
State aid	647,441	1,116,621	-	-	1,764,062
Federal aid	2,825,487	244,524	-	-	3,070,011
Total revenues	5,401,173	2,285,190	400,135	-	8,086,498
Expenditures:					
Current:					
Instructional services	-	2,100,409	331,049	-	2,431,458
Supporting services:					
Operation and maintenance of facilities	-	1,388	-	-	1,388
School lunch services	5,268,977	-	-	-	5,268,977
Total expenditures	5,268,977	2,101,797	331,049	-	7,701,823
Excess of revenues over expenditures	132,196	183,393	69,087	-	384,676
Other financing sources:					
Transfer in	-	-	-	-	-
Net change in fund balances	132,196	183,393	69,087	-	384,676
Fund balances - beginning	431,568	611,423	505,173	-	1,548,164
Prior period adjustment	-	26,786	-	-	26,786
Fund balances - ending	563,764	821,602	574,260	-	1,959,626

WASHINGTON COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
School Lunch
Nonmajor Special Revenue Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Lunch sales - children	\$ 1,780,600	\$ 1,836,498	\$ 55,898	\$ 1,601,573
Lunch Sales - adult	48,900	63,701	14,801	49,745
Earnings on investments	-	-	-	-
Other local sales	30,000	28,046	(1,954)	13,425
Total local sources	1,859,500	1,928,245	68,745	1,664,743
State sources:				
State lunch program	550,784	647,441	96,657	545,331
Total state sources	550,784	647,441	96,657	545,331
Federal sources:				
Federal lunch program	380,000	383,686	3,686	338,516
Free and reduced assistance	1,680,000	1,741,034	61,034	1,508,480
Breakfast program	390,000	409,119	19,119	344,448
Special milk	-	-	-	-
Other	240,562	291,648	51,086	277,148
Total federal sources	2,690,562	2,825,487	134,925	2,468,592
Total revenues	5,100,846	5,401,173	300,327	4,678,667
Expenditures:				
Current:				
Salaries	1,628,581	1,534,376	94,205	1,360,864
Employee benefits	700,274	687,636	12,638	597,860
Purchased services	23,000	24,300	(1,300)	14,643
Supplies	230,000	232,477	(2,477)	188,222
Food	1,800,000	1,860,639	(60,639)	1,562,358
Equipment	70,000	61,600	8,400	7,777
Indirect cost allocation	600,000	553,362	46,638	500,121
USDA Commodities	240,562	314,587	(74,025)	301,708
Total expenditures	5,292,417	5,268,977	23,440	4,533,554
Net change in fund balances	(191,571)	132,196	323,767	145,113
Fund balances - beginning	431,568	431,568	-	286,455
Fund balances - ending	\$ 239,997	\$ 563,764	\$ 323,767	\$ 431,568

WASHINGTON COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Non K-12 Programs
Nonmajor Special Revenue Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 849,265	\$ 912,864	\$ 63,599	\$ 859,156
Community school fees	-	-	-	-
Summer school fees	-	-	-	-
Adult education fees	-	-	-	-
Earnings on investments	-	-	-	-
Miscellaneous revenues	-	11,182	11,182	-
Total local sources	<u>849,265</u>	<u>924,046</u>	<u>74,781</u>	<u>859,156</u>
State sources:				
Adult high school completion	388,678	305,137	(83,541)	262,319
Preschool	660,468	691,870	31,402	480,688
Retirement and social security	113,759	119,614	5,855	90,993
Utah State Developmental Center	-	-	-	-
Total state sources	<u>1,162,905</u>	<u>1,116,621</u>	<u>(46,284)</u>	<u>834,000</u>
Federal sources:				
Special education preschool grant	150,470	143,870	(6,600)	137,991
Adult education	100,654	100,654	-	113,942
Total federal sources	<u>251,124</u>	<u>244,524</u>	<u>(6,600)</u>	<u>251,933</u>
Total revenues	<u>2,263,294</u>	<u>2,285,190</u>	<u>21,896</u>	<u>1,945,089</u>
Expenditures:				
Current:				
Salaries	1,469,735	1,386,602	83,133	1,124,667
Employee benefits	558,614	497,860	60,754	348,910
Purchased services	183,101	133,646	49,455	211,099
Utilities	7,000	1,388	5,612	5,728
Supplies	7,500	7,301	199	5,101
Textbooks and library books	-	-	-	-
Equipment	75,000	75,000	-	75,154
Indirect costs	1,765	-	1,765	-
Total expenditures	<u>2,302,715</u>	<u>2,101,797</u>	<u>200,918</u>	<u>1,770,659</u>
Excess (deficiency) of revenues over (under) expenditures	(39,421)	183,393	222,814	174,430
Fund balances - beginning	611,423	611,423	-	463,779
Prior period adjustment	-	26,786	26,786	-
Fund balances - ending	<u>\$ 572,002</u>	<u>\$ 821,602</u>	<u>\$ 249,600</u>	<u>\$ 638,209</u>

WASHINGTON COUNTY SCHOOL DISTRICT
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
Washington County School District Foundation
Nonmajor Special Revenue Fund
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues:		
Local sources:		
Contributions to schools	\$ 350,973	\$ 275,562
Sterling Scholar	34,972	23,623
Woodward Restoration	2,665	13,249
Earnings on investments	11,526	4,578
Total revenues	<u>400,135</u>	<u>317,012</u>
Expenditures:		
Current:		
Program services - supplies and materials donated to schools	308,526	217,736
Sterling Scholar	17,128	16,483
Woodward Restoration	5,394	4,063
Total expenditures	<u>331,049</u>	<u>238,281</u>
Excess (deficiency) of revenues over (under) expenditures	69,087	78,731
Fund balances - beginning	<u>505,173</u>	<u>426,442</u>
Fund balances - ending	<u>\$ 574,260</u>	<u>\$ 505,173</u>

Major Governmental Funds

By definition, the general fund is a major fund. However, the general fund is presented in the basic financial statements.

Debt Service -- The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest due annually. Financing is provided by an annual property tax levy not to exceed .0024 plus an additional levy in an amount not to exceed 10% of the cost of the basic program as authorized by Utah Code 53A-16-104 and 53A-17a-145.

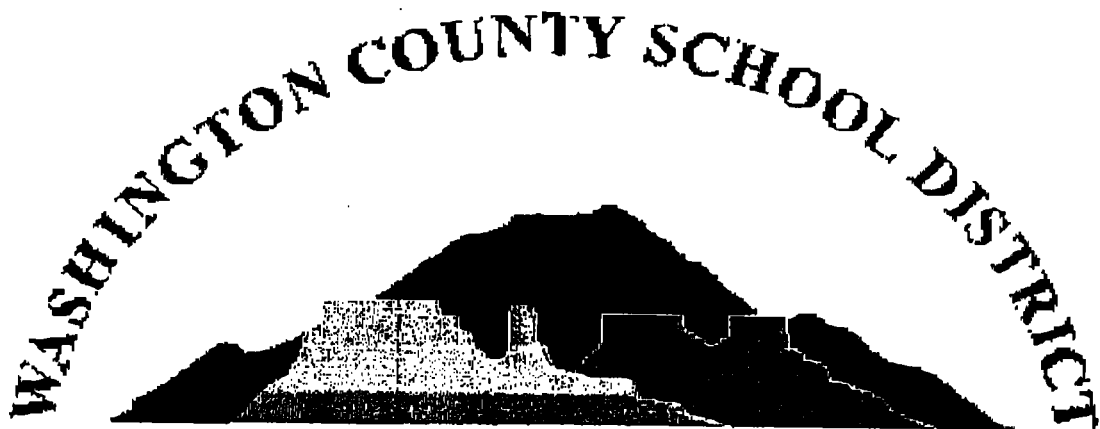
Capital Projects Fund -- The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. Financing is provided by an annual property tax levy not to exceed .0024 plus an additional levy in an amount not to exceed 10% of the cost of the basic program as authorized by Utah Code 53A-16-104 and 53A-17a-145. Utah law defines the Capital Projects Fund as the Capital Outlay Fund.

WASHINGTON COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Debt Service Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Property tax	\$ 18,120,361	\$ 19,252,423	\$ 1,132,062	\$ 17,887,832
Earnings on investments	105,784	105,784	0	-
Total revenues	18,226,145	19,358,207	1,132,062	17,887,832
Expenditures:				
Debt service:				
Bond principal	12,700,000	12,590,000	110,000	11,215,000
Bond interest	5,598,643	5,598,643	0	5,491,611
Bond Issuance Costs	-	-	-	153,801
Paying agent fees	6,436	6,436	(0)	5,050
Bank Loan	917,432	931,432	(14,000)	1,200,000
Bank Interest	44,727	44,727	0	68,733
Asbestos Loan	286	286	-	1,000
Total expenditures	19,267,524	19,171,524	96,000	18,135,196
Excess (deficiency) of revenues over (under) expenditures	(1,041,379)	186,684	1,228,063	(247,364)
Other financing sources (uses):				
Proceeds of refunding bonds	-	-	-	15,966,879
Payment to refunded bond escrow agent	-	-	-	(15,813,078)
Total other financing sources (uses)	-	-	-	153,801
Net change in fund balances	(1,041,379)	186,684	1,228,063	(93,563)
Fund balance - beginning	2,115,573	2,115,573	-	2,209,136
Fund balance - ending	\$ 1,074,194	\$ 2,302,257	\$ 1,228,063	\$ 2,115,573

WASHINGTON COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Capital Projects Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

	2005		Variance with Final Budget - Positive (Negative)	2004
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 4,114,546	\$ 4,707,275	\$ 592,729	\$ 5,852,518
Earnings on investments	1,003,176	1,087,193	84,017	384,159
Other local	32,739	32,739	0	503,454
Total local sources	5,150,461	5,827,207	676,746	6,740,131
State sources:				
Other	-	-	-	25,000
Total state sources	-	-	-	25,000
Total revenues	5,150,461	5,827,207	676,746	6,765,131
Expenditures:				
Salaries	110,444	112,153	(1,709)	106,326
Benefits	42,767	40,468	2,299	37,991
Professional Services	2,500,000	2,359,653	140,347	2,574,289
Sites & Improvements	3,000,000	1,399,966	1,600,034	1,168,772
Buildings	24,573,055	23,887,027	686,028	28,712,089
Priority equipment	1,600,000	1,415,238	184,762	1,037,889
Other equipment	700,000	861,099	(161,099)	525,425
New school equipment	2,000,000	1,932,905	67,095	8,750
Asbestos removal	15,930	28,598	(12,668)	7,451
CIB Loan & Interest	-	-	-	29,185
Bond selling expense	193,451	193,451	0	108,672
Total expenditures	34,735,647	32,230,559	2,505,088	34,316,839
Excess (deficiency) of revenues over (under) expenditures	(29,585,186)	(26,403,351)	3,181,835	(27,551,708)
Other Financing Sources (Uses):				
General obligation bond proceeds	31,000,000	31,000,000	-	22,000,000
Bond premium	-	-	-	-
Transfer out	-	519,868	519,868	-
Sale of capital assets	43,010	42,712	(298)	306,269
Total other financing sources (uses)	31,043,010	31,562,580	519,570	22,306,269
Net change in fund balances	1,457,824	5,159,228	3,701,404	(5,245,439)
Fund balance - beginning	15,171,259	15,171,259	-	21,118,075
Prior period adjustment	-	701,377	701,377	-
Fund balance - ending	\$ 16,629,083	\$ 21,031,864	\$ 4,402,781	\$ 15,872,636



Fiduciary Funds

Student Activities Agency Fund – This fund is used to account for the funds generated by student groups within the District engaged in activities associated with student life. The District has a fiduciary responsibility concerning these funds to ensure their safe keeping and accountability.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities
Student Activities Agency Fund
Year Ended June 30, 2005

	<u>Net Assets at July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Assets at June 30, 2005</u>
Assets:				
Cash and investments	<u>\$ 1,373,598</u>	<u>\$ 6,355,008</u>	<u>\$ 6,257,870</u>	<u>\$ 1,470,736</u>
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Advance from other funds	-	-	-	-
Due to student organizations:				
Elementary Schools:				
Bloomington	23,446	97,743	110,386	10,802
Bloomington Hills	7,219	110,592	107,308	10,503
Coral Cliffs	6,394	101,052	99,849	7,597
Diamond Valley	1,350	77,583	68,493	10,440
Dixie Downs	4,108	63,954	65,923	2,139
East	13,867	85,843	81,132	18,577
Enterprise	10,363	62,440	61,054	11,750
Hurricane	20,478	50,644	52,176	18,946
LaVerkin	9,117	86,486	91,250	4,353
Panorama	7,387	102,545	103,188	6,743
Red Mountain	15,018	78,349	83,880	9,487
Riverside	-	141,366	131,615	9,751
Sandstone	3,973	86,472	80,876	9,569
Santa Clara	22,091	128,387	127,774	22,703
Springdale	144	4,375	4,416	104
Sunset	9,577	89,786	86,517	12,845
Three Falls	9,999	80,395	80,583	9,811
Washington	19,439	59,534	56,123	22,849
West	2,384	67,524	67,083	2,825
Total elementary schools	<u>186,351</u>	<u>1,575,068</u>	<u>1,559,626</u>	<u>201,793</u>
Intermediate Schools:				
Desert Hills	59,577	242,655	241,015	61,217
Fossil Ridge	-	296,535	269,072	27,463
Lava Ridge	40,053	203,555	190,801	52,808
Total intermediate schools	<u>99,630</u>	<u>742,745</u>	<u>700,888</u>	<u>141,487</u>

(continued)

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities (Concluded)
Student Activities Agency Fund
Year Ended June 30, 2005

	<u>Net Assets at</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Assets at</u> <u>June 30, 2002</u>
Liabilities (continued):				
Due to student organizations (continued):				
Middle Schools:				
Dixie	\$ 68,739	\$ 172,261	\$ 179,597	\$ 61,403
Hurricane	17,126	216,859	203,143	30,842
Pine View	190,214	278,482	266,692	202,003
Snow Canyon	54,215	193,338	204,214	43,339
Total middle schools	<u>330,293</u>	<u>860,940</u>	<u>853,647</u>	<u>337,587</u>
High Schools and Special Purpose Programs:				
Dixie High	182,739	713,672	750,879	145,532
Enterprise High	71,345	251,607	244,297	78,656
Hurricane High	64,257	563,880	537,940	90,198
Millcreek High	39,020	101,278	91,017	49,281
Pine View High	141,283	838,582	841,069	138,796
Snow Canyon High	258,679	707,235	678,509	287,406
Total high schools and special purpose programs	<u>757,324</u>	<u>3,176,255</u>	<u>3,143,710</u>	<u>789,868</u>
Total due to student organizations	<u>1,373,598</u>	<u>6,355,008</u>	<u>6,257,870</u>	<u>1,470,736</u>
Total liabilities	<u>\$ 1,373,598</u>	<u>\$ 6,355,008</u>	<u>\$ 6,257,870</u>	<u>\$ 1,470,736</u>

SINGLE AUDIT

WASHINGTON COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2005

FEDERAL OR PASS THROUGH GRANTOR/PROGRAM TITLE	Title	Major Program	Federal CFDA #	Total Expenditures
U.S. Dept of Education				
Passed Through Utah State Office of Education	Title I ESEA	X	84.010A	\$ 2,906,350
	Adult Education and Family Literacy Act Prisons and Institutions		84.002	14,480
	Adult Education and Family Literacy Act English Acquisition		84.002	14,774
	Adult Basic Education		84.002A	71,400
	Title ID Neglected and Delinquent		84.013	16,940
	EHA-B (P.L. 94-142)		84.027A	3,688,119
	Vocational Education Basic Grants Leadership Development		84.048	10,831
	Carl D. Perkins Voc Ed. Act Title II A & B	X	84.048A	344,985
	IDEA Special Education Preschool		84.173A	137,415
	Title IVA2 Community Service		84.184A	47,512
	Title IVA Drug Free Schools		84.186A	89,007
	Steward B. McKinney Education For Homeless Children		84.196A	28,087
	Title IV Innovative Programs		84.298A	104,635
	IDEA Special Ed Local Capacity Bldg		84.315A	250,065
	Title IID Educational Technology		84.318A	103,089
	Special Education State Personn. Dev.		84.323A	4,812
	Reading Excellence Act		84.338A	5,401
	Reading First		84.357	20,010
	Title IIIA English Language Acquisition		84.385A	48,443

WASHINGTON COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2005

(Continued)

<u>FEDERAL OR PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>Title</u>	<u>Major Program</u>	<u>Federal CFDA #</u>	<u>Total Expenditures</u>
Received Directly from U.S. Department of Ed.	Title II Improving Teacher Quality		84.367A	923,329
	Indian Education Title IV		84.060	79,385
	Fund for the Improvement of Education		84.215X	203,082
	Total U.S. Department of Education			\$ 9,112,161
<u>U.S. Dept of Agriculture</u> Passed Through Utah State Office of Education	National School Lunch School Breakfast		10.555	\$ 2,124,720
			10.553	409,119
			Cluster Total	\$ 2,533,839
	USDA Commodities		10.550	291,648
	PILT Forest Reserve		10.665	46,603
	Total U.S. Department of Agriculture			\$ 2,872,090
<u>U.S. Dept. of Transportation</u> Passed Through Utah State Office of Education	State and Community Highway Safety		20.600	\$ 6,763.00
<u>Corporation for National Community Service</u> Passed Through Utah State Office of Education	Service Learning		94.004	\$ 7,007.00
	Total Federal			\$ 11,998,021

**HAFEN
BUCKNER
EVERETT
& GRAFF, PC**
**CERTIFIED PUBLIC
ACCOUNTANTS**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Washington County Board of Education

We have audited the financial statements of Washington County School District (the District) as of and for the year ended June 30, 2005, and have issued our report thereon dated November 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted three other matters involving the internal control over financial

reporting that we have reported to the District's management in a separate letter dated November 22, 2005.

This report is intended for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Hafen BUCKNER, EVERETT & GRAFF, PC

HAFEN, BUCKNER, EVERETT, & GRAFF, P.C.

November 22, 2005

**HAFEN
BUCKNER
EVERETT
& GRAFF, PC**
—
CERTIFIED PUBLIC
ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Washington County Board of Education

Compliance

We have audited the compliance of Washington County School District (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion Washington County School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Washington County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing

our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Washington County School District as of and for the year ended June 30, 2005 and have issued our report thereon dated November 22, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information had been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Hafen Buckner, Everett & Graff, PC

HAFEN, BUCKNER, EVERETT, & GRAFF, P.C.

November 22, 2005

Washington County School District
Schedule Of Findings And Questioned Costs
June 30, 2005

I. SUMMARY OF AUDITOR'S RESULTS

- A. Type of audit report issued on the financial statements: . Unqualified opinion
- B. Reportable conditions in internal control disclosed by the audit: . None
- C. Instances of noncompliance material to the financial statements: None.
- D. Reportable conditions in internal control over major programs disclosed by the audit: None.
- E. Type of report issued on compliance for major programs: Unqualified opinion.
- F. Audit findings required to be reported under paragraph .510(a): None.
- G. Major Programs:
- | <u>Program</u> | <u>CFDA</u> |
|---|-------------|
| Improving Teaching Quality State Grants | 84.367 |
| National School Lunch Program | 10.555 |
| School Breakfast Program | 10.553 |
- H. Dollar threshold used to distinguish between Type A and B programs, as described in paragraph .520(b): \$500,000
- I. Washington County School District qualifies as a low-risk auditee under paragraph .530.

II. Findings related to the financial statements which are required to be reported in accordance with *Generally Accepted Governmental Auditing Standards*
 None

III. Findings and questioned costs for Federal awards as defined in paragraph 510(a)

<u>Finding</u>	<u>Questioned Costs</u>
None	None

**HAFEN
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& GRAFF, PC
CERTIFIED PUBLIC
ACCOUNTANTS**

AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

The Board of Education
Washington County School District
St. George, Utah

We have audited the financial statements of Washington County School District for the year ended June 30, 2005, and have issued our report there on dated November 22, 2005. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit guide for the year ended June 30, 2005. The District received the following major State assistance programs from the State of Utah:

Minimum School Program
Drivers' Education

School Lunch (State Fund Portion)

Our audit also included test work on the District's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Adult Education Reporting

Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Other Compliance Requirements
Fall Enrollment and Student Membership

The management of the District is responsible for the District's compliance with all compliance requirement identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Washington County School District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Hafen, Buckner, Everett & Graff, P.C.

HAFEN, BUCKNER, EVERETT, & GRAFF, P.C.

November 22, 2005



The Board of Education
Washington County School District
St. George, Utah

We have audited the general purpose financial statements of the various funds and account groups of Washington County School District for the year ended June 30, 2005, and have issued our report thereon dated November 22, 2005. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the balance sheet and to assist the auditor in planning and performing his examination of the balance sheet.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to the future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

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Our audit was made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the District's system of internal accounting control for the year ended June 30, 2005, that was made for the purposes set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data. However, such study and evaluation disclosed the conditions noted below that we believe should be brought to your attention.

Finding: On occasion cash receipts at schools were not deposited within three banking days.

Recommendation: Policies and procedures be established that will ensure that all cash receipts are deposited within three banking days.

Finding: Occasionally cash disbursements at schools were not supported by a purchase order and/or other supporting documentation.

Recommendation: Policies and procedures be established that will ensure that all disbursements have adequate support.

Finding: School administration expenditures exceeded budgeted amounts.

Recommendation: Policies and procedures be implemented to ensure that expenditures are within budgeted amounts.

It is important to recognize that a letter of this type is intended to be constructive in nature, and that the absence of positive or complimentary comments are not intended to imply that the operation is not efficient or sound.

We appreciate the help and cooperation provided by the District's personnel during the course of our audit.

Because the above comments are not based on a special study of matters covered, further evaluation of our suggestions may be necessary on your part as a basis for implementation.

We would be pleased to discuss these matters with you further at your convenience.

Yours truly,

Hafen, Buckner, Everett & Graff, PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
November 22, 2005

Washington County School District
Summary of Adjustments Passed
6/30/2005

Account	Fund	Balance Sheet		Income Statement	
		Dr	Cr	Dr	Cr
1					
000 0 0000 8133 888	10	9,210.99	-	-	-
10 950 5 7250 3950 999	10	-	-	-	9,210.99
		-	-	-	-
		-	-	-	-
		9,210.99	-	-	9,210.99
2					
000 0 0000 8130 888	10	173,376.00	-	-	-
000 0 0000 9560 888	10	-	152,690.00	-	-
10 950 5 9999 1111 999	10	-	-	-	-
000 0 0000 8130 888	23	7,455.00	-	-	20,686.00
000 0 0000 9560 888	23	-	4,134.00	-	-
23 950 5 9999 1111 999	23	-	-	-	-
000 0 0000 8130 888	32	204,640.00	-	-	-
000 0 0000 9560 888	32	-	228,648.00	24,008.00	-
32 950 5 9999 1111 999	32	-	-	-	-
		-	-	-	-
		385,471.00	385,472.00	24,008.00	24,007.00
		394,681.99	385,472.00	24,008.00	33,217.99